

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of Lake Region Water & Sewer)	<u>File No. SR-2010-0110</u>
Company's Application to Implement a General)	Tariff No. YS-2010-0250
Rate Increase in Water & Sewer Service)	

In the Matter of Lake Region Water & Sewer)	<u>File No. WR-2010-0111</u>
Company's Application to Implement a General)	Tariff No. YW-2010-0251
Rate Increase in Water & Sewer Service)	

**STAFF'S RESPONSE TO THE OFFICE OF PUBLIC COUNSEL'S
RECOMMENDATIONS REGARDING TEST YEAR AND TRUE-UP PERIOD**

COMES NOW the Staff of the Missouri Public Service Commission (Staff), by and through counsel, and in response to the Office of Public Counsel's (OPC) November 16, 2009 *Recommendation Regarding Test Year and True-Up*, respectfully states as follows:

1. On October 7, 2009, Lake Region Water & Sewer Company (Lake Region or Company) filed a tariff designed to implement a general rate increase for water and sewer services provided in its Missouri service area.
2. On October 8, 2009, the Commission issued its *Suspension Order and Notice*, suspending Lake Region's proposed tariffs until September 6, 2010 and ordered Staff to file a pleading regarding true-up and indicating whether Staff concurs in Lake Region's recommended test year (the twelve month period ending December 31, 2008) or recommends an alternative.
3. On November 16, 2009, Staff filed its *Response to Position Regarding Test Year and True-up Period* and concurred in Lake Region's proposed twelve month test-year period ending on December 31, 2008, updated for known and measurable changes through September 30, 2009. Additionally, Staff recommended a true-up date of March 31, 2010, to reflect significant and material revenue requirement impacts and not other factors.

4. On November 16, 2009, OPC filed its *Recommendations Regarding Test year and True-Up* stating that it had no objection to the Lake Region's proposed test year, however, did not "believe that it is necessary for the Commission to determine at this early state that a true-up is necessary." OPC then suggested that if a true-up is necessary, "that the Commission direct the parties to update the test year for known and measurable changes through March 10, 2010."

5. The Company has indicated that a significant plant addition will be completed the first of March 2010, which if completed, will increase the revenue requirement substantially. Staff proposes to use the period of March 31, 2010, as a cut-off for the true-up period to ensure that the plant is complete and in-service before it is placed in rate base. Further, Staff believes that it would be appropriate to update other material items to the revenue requirement calculation such as revenues, payroll and payroll related benefits, depreciation reserve and any other items that will have a material impact on rates through March 31, 2010.

6. However, Staff opposes moving the end of the update period to coincide with the true-up as OPC suggests. Staff intends to develop the revenue requirement in this case using the test year 2008 updated for known and measurable changes through September 30, 2009. Many of the updates, such as to the case such as for maintenance costs, if necessary, Public Service Commission assessment, office expenses, etc. will not be included in the true-up, as true-up includes only components that could materially affect the revenue requirement.

WHEREFORE, Staff opposes the Office of Public Counsel's suggestions for changes to the procedural schedule Staff filed on November 16, 2009.

Respectfully submitted,

/s/ Jaime N. Ott

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 24th day of November, 2009.

/s/ Jaime N. Ott